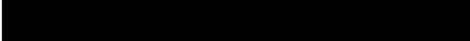


25 March 2015

Michael McCartney
 Chief Executive
 Horizons Regional Council
 Private Bag 11025
 Manawatu Mail Centre
 Palmerston North

Email: 

Greg Campbell
 Chief Executive
 Greater Wellington Regional Council
 PO Box 11646
 Wellington 6142

Email: 

Wellington Regional Council
 26 MAR 2015

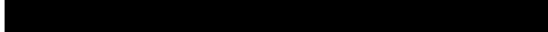
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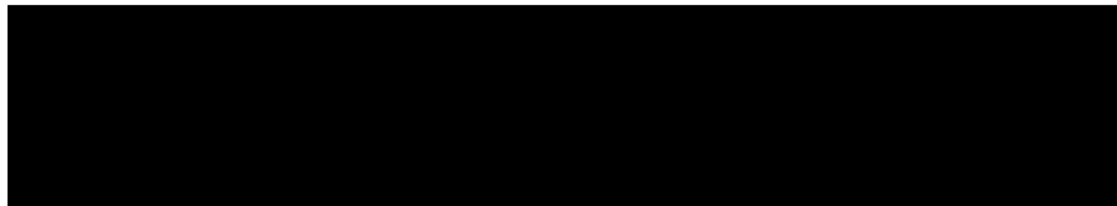
Dear Michael and Greg,

Capital Connection Service

In preparation for our meeting on 1st April I am writing to clarify our estimate of the operating and heavy maintenance cash shortfall that KiwiRail would incur if we continued to operate the Capital Connection service beyond 1 July 2015.

The forecasts for the 2015/16 and 2016/17 financial years have already been provided to your management teams in a meeting held in Wellington on 19th March. However in light of the reported decision by the Horizons Regional Council yesterday to provide a five year subsidy, we have also included forecasts for the subsequent three financial years.

As shown below (further detail is provided in the attached schedule) the total cash shortfall is forecast . This is consistent with the forecast outlined in my letter to Michael McCartney on 23rd March 2015 (copy attached).



Please note that these forecasts assume KiwiRail continues to operate the service under the current operating model. They are cash forecasts excluding any depreciation charge or profit margin. The estimates are based on a number of key assumptions relating to fuel prices, patronage numbers, fare prices, maintenance expenses and the timing and cost of heavy maintenance repairs. They are best estimates based on current information, but it should be recognised that actual revenues and costs could differ from these forecasts.

In light of this, [REDACTED]

[REDACTED] If KiwiRail was to continue to operate the service, agreement on an appropriate profit margin in addition to funding the annual cash shortfalls will require further discussion.

I look forward to our meeting on 1st April.

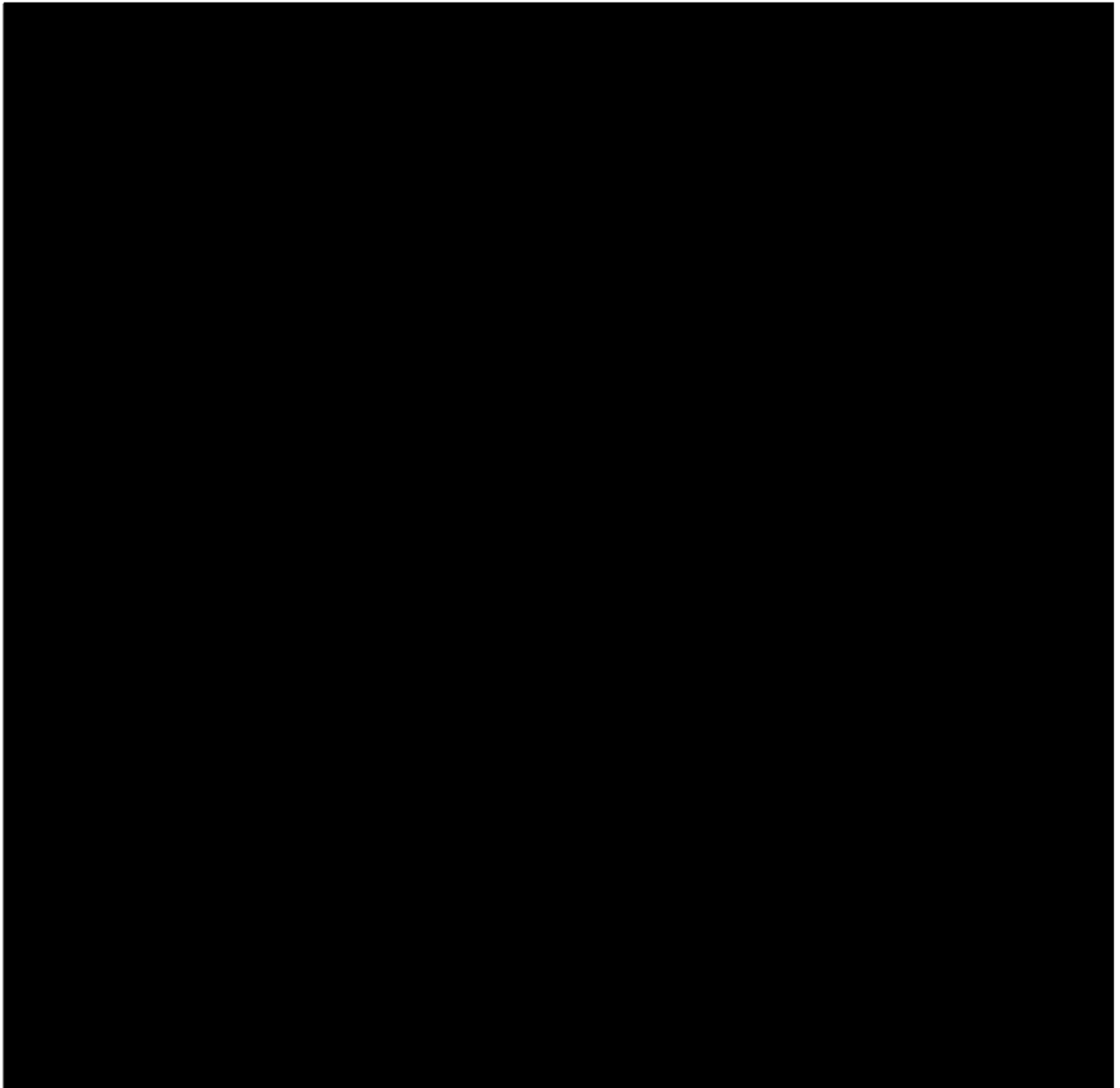
Yours sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Peter Reidy
Chief Executive

Cc: Bruce Gordon, Chair, HRC [REDACTED]
Fran Wilde, Chair, GWRC [REDACTED]
Hon. Simon Bridges, Minister of Transport

Annex – Capital Connection Forecast Annual Cash Shortfall



23 March 2015

Michael McCartney
Chief Executive
Horizons Regional Council
Private Bag 11025
Manawatu Mail Centre
Palmerston North
Email: [REDACTED]

Dear Michael

Capital Connection Service

Further to my letter of 12 March I am trying to arrange a meeting between yourself, Greg and I to discuss options for funding the Capital Connection service.

In preparation for this meeting our teams have already met to clarify cost estimates for the continued operation of the service. [REDACTED]

[REDACTED]

[REDACTED]

Given these issues and in light of the [REDACTED] shortfall KiwiRail faces if it were to continue operating the Capital Connection over the next 5 years. [REDACTED]

[REDACTED]

[REDACTED]

I would appreciate the opportunity to further discuss this with you later today if possible.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Peter Reidy', written over the text 'Yours sincerely,'.

Peter Reidy
Chief Executive

Cc: Phillip Hindrup, Manager Transport Services, Horizons Regional Council
Email: [REDACTED]